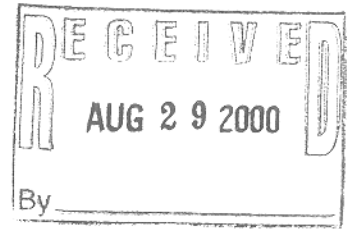




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August 28, 2000

Mr. Gary C. Heath  
Executive Director  
Electricity Oversight Board  
770 L Street, Suite 1250  
Sacramento, CA 95814

SUBJECT: ISO Proposal for 10-Minute Settlements

Dear Mr. Heath:

NCPA strongly recommends that the ISO delay the start of 10-minute settlements until at least November. We have recommended this to the ISO because we believe that the computerized 10-minute market simulations we have been attempting for six weeks have been completely unsuccessful.

Frankly, the 10-minute market simulation conference call that occurred among the ISO staff and all Scheduling Coordinators (SC) on Friday, 8/25/00 demonstrates, on the part of the ISO staff, a troubling and discouraging lack of appreciation of the responsibilities and duties that fall to the Scheduling Coordinators. We believe the purpose of a computerized market simulation is to allow both the ISO and the SC's to develop and test their computer systems to work together successfully. Yet, the ISO staff now "declares" that the market simulation was successful, despite the many reruns and late delivery of settlement statements, which has occurred. The ISO staff to date have chosen to ignore the SC's who have not been given adequate time to test and debug their systems, and verify the ISO's billing, because of the ISO's inability to deliver statements until very late in the process.

In NCPA's case, the ISO was never able to deliver any useable 10-minute settlement statements until August 17<sup>th</sup>. We are now diligently proceeding with our computer testing. However, the complexity of the task simply does not allow us enough time to be ready by the suggested start date of September 1<sup>st</sup>. This is particularly critical because NCPA's generation scheduling systems are affected as well; and while we hope to be ready to schedule in the 10-minute market capturing the information we need to do our settlements, we will not know for sure until our testing is complete. Each SC faces the same or similar problems.

Moreover, NCPA's computer software is being developed in conjunction with an outside vendor, Altra, who will provide the software to a number of other SC's as well. An unsuccessful 10-minute market simulation affects all of those SC's, who must then wait even longer for the fully tested software to be delivered to them and installed and tested.

While the ISO's mistakes (made during the market simulation) hit NCPA particularly hard, Friday's conference call, demonstrates that **every** SC has in one way or another been delayed as they have waited for accurate files and information from the ISO. Please note that the conference call on 8/25/00, revealed that **NO** Scheduling Coordinator is ready to proceed. Further, the SC's have asked **unanimously** for a delay without success.

Frankly, NCPA is particularly worried because of other recent ISO invoicing changes that requires costs be paid by SC's based on preliminary ISO settlement statements. Therefore, in our opinion, errors in the first sets of preliminary statements could have a disastrous effect on the marketplace. Note that the SC's, not the ISO, are at financial risk if this hugely complex undertaking does not work correctly,

Please exercise your oversight responsibility to recommend or require the ISO to delay the onset of the 10-minute market place until at least November. If you have any questions about this issue, please contact Mr. Roger Fontes, NCPA Assistant General Manager at (916) 781-4203. Thank you.

Sincerely,



GEORGE FRASER  
General Manager

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cc: Assembly Member Roderick Wright  
Senator Deborah Bowen  
Terry Winter, CAISO